REPLY

OUTPERFORM

Sector: Industrials

Price: Eu157.60 - **Target: Eu187.00**

Excellent Profitability on Slightly Milder Organic Growth

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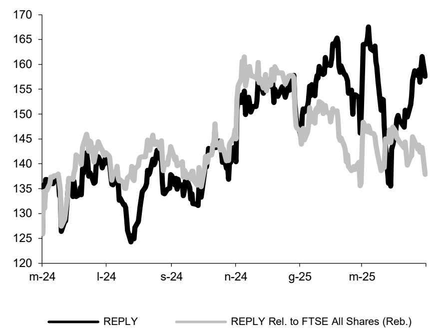
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2025E	**2026E**	**2027E**
Chg in Adj EPS	1.0%	0.5%	0.8%

Next Event 1H25 Results
Results Out 31 July 2025

REPLY - 12M Performance



Stock Data			
Reuters code:			REY.MI
Bloomberg code:			REY IM
Performance	**1M**	**3M**	**12M**
Absolute	9.6%	-2.3%	24.0%
Relative	-7.6%	-8.6%	9.2%
12M (H/L)			167.50/124.30
3M Average Volume (th):			40.27

Shareholder Data	
No. of Ord shares (mn):	37
Total no. of shares (mn):	37
Mkt Cap Ord (Eu mn):	5,896
Total Mkt Cap (Eu mn):	5,896
Mkt Float - Ord (Eu mn):	3,710
Mkt Float (in %):	62.9%
Main Shareholder:	
Alika (Rizzante family)	37.1%

Balance Sheet Data	
Book Value (Eu mn):	1,501
BVPS (Eu):	40.21
P/BV:	3.9
Net Financial Position (Eu mn):	563
Enterprise Value (Eu mn):	5,333

- **Surprisingly strong 1Q25 margins and cash generation.** Reply reported 1Q25 revenues of Eu603.4mn, up 8.9% YoY, or +5.3% organically (i.e. excluding the contribution from M&A and a minor ForEx contribution), a touch below our estimate (+6.0%). In more detail: Region 1 (61.6% of quarterly sales) grew at an 8.1% organic rate (it was up 10.8% in 4Q24). On the other hand, Region 2 (19.4% of quarterly sales) decelerated from +6.2% YoY in 4Q24 to +3.0% YoY. Finally, Region 3 (19.0% of quarterly sales) consolidated the Eu16.3mn contribution from Solirius, but was down 1.6% organically, due entirely to results from France. **EBITDA was a positive surprise, up 20.6% YoY to Eu105.3mn and 4.6% better than expected**. The surprise was generated in Region1 and Region2 where the EBITDA margin improved by 190bp and 220bp respectively, mainly thanks to stronger labour productivity. Below EBITDA, D&A and net financial charges were broadly in line with our estimates. Pre-tax profit closed at Eu86.9mn, 5.1% higher than expected and up 19.0% YoY. **Net cash as at end-March 2025 (excl. IFRS16) was Eu657.1mn, c.Eu40mn better than expected, with LTM FCF generation worth c.Eu300mn.**
- **Quarterly trends and outlook.** The outlook appears supportive: Reply continues to sign new contracts in fields related to the use of artificial intelligence, an area where it has gained a leading position on the market and developed highly specialised skills defining new offerings such as Agentic AI, Silicon Shoring, and AI pre-built applications. Organic performance for the remainder of the year has been forecast to be consistent with the 1Q25 performance; Region 3 organic trend (-1.6% in 1Q25) was the combination of positive growth in UK (+6%) and a negative trend in France (-15%), related to Wemanity. At group level, the deceleration in financial services – still up 9% in 1Q25 – was mainly due to the phasing effect of some large projects with top clients, but the pipeline looks solid. Looking ahead, management repeated that the main focus is on remaining innovative, but the 17.5% EBITDA margin achieved in 1Q25 should be sustainable in FY25. New start-ups have been established to launch innovative ventures in the most promising market niches (applications for Defence, for example). In terms of future M&A, Reply is still scouting new opportunities with a specific focus on the US, where it might also consider larger, but not transformational, deals.
- **Updating our estimates.** In this report, we are trimming our organic growth assumption for 2025 (from 9% to 7%) but also raising the expected EBITDA margin from 17.1% to 17.5% to reflect the significant earnings surprise. All in all, we are raising 2025 and 2026 EPS by 1.0% and 0.5% respectively.
- **OUTPERFORM confirmed; target Eu187 unchanged.** Results were strong, especially considering the tough environment, and management appeared confident on the business opportunities arising from the AI revolution, a technology where Reply can continue to capitalise on its early investments, and which is being embedded in many new solutions. The possible announcement of a new M&A deal represents a clear positive catalyst and the best way to create value from the strong cash position. We calculate the target using a DCF model that assumes a WACC of 8.2% (up from 8.1%) and a terminal growth rate of 3.5% (unchanged).

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	2,118	2,296	2,506	2,757	3,009
EBITDA Adj (Eu mn)	352	411	439	479	522
Net Profit Adj (Eu mn)	187	211	244	268	293
EPS New Adj (Eu)	4.990	5.644	6.531	7.160	7.841
EPS Old Adj (Eu)	4.990	5.644	6.465	7.123	7.783
DPS (Eu)	1.000	1.150	1.200	1.300	1.400
EV/EBITDA Adj	10.5	11.4	12.1	10.6	9.3
EV/EBIT Adj	12.6	14.2	15.1	13.1	11.4
P/E Adj	31.6	27.9	24.1	22.0	20.1
Div. Yield	0.6%	0.7%	0.8%	0.8%	0.9%
Net Debt/EBITDA Adj	-0.6	-0.9	-1.3	-1.7	-2.0

Intermonte

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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